



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

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|---------------|--------|---------------|---|
| Bill # | HB0617 | Title: | Provide scholarship opportunities for higher education in Montana |
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|-------------------------|--------------|----------------|------------|
| Primary Sponsor: | Lavin, Steve | Status: | As Amended |
|-------------------------|--------------|----------------|------------|

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

| | <u>FY 2016</u> <u>Difference</u> | <u>FY 2017</u> <u>Difference</u> | <u>FY 2018</u> <u>Difference</u> | <u>FY 2019</u> <u>Difference</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Expenditures: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$400,000 | \$1,262,000 | \$1,736,000 | \$2,115,000 |
| Other | \$0 | \$0 | \$0 | \$0 |
| Revenue: | | | | |
| General Fund | (\$600,000) | (\$1,462,000) | (\$1,736,000) | (\$2,115,000) |
| State Special Revenue | \$400,000 | \$1,262,000 | \$1,736,000 | \$2,115,000 |
| Other | \$0 | \$0 | \$0 | \$0 |
| Net Impact-General Fund Balance: | <u>(\$600,000)</u> | <u>(\$1,462,000)</u> | <u>(\$1,736,000)</u> | <u>(\$2,115,000)</u> |

Description of fiscal impact: HB 617, as amended, creates new scholarships for Montana high school students that meet certain criteria to prepare for postsecondary fields of science, technology, engineering, and mathematics (STEM). The STEM scholarships will be funded by lottery proceeds directed to the new STEM account instead of the state general fund.

FISCAL ANALYSIS

Assumptions:

Montana State Lottery

- Information on this fiscal note is projected and reflects the national average for rate of growth in the Lottery industry.
- For FY 2016 and FY 2017, the transfer amounts to the general fund have been adjusted for the \$200,000 in marketing appropriation included in this bill.
- Assumptions contained in HJ 2, as amended, were used for the FY 2015 (base year), and the incremental loss to the general fund (and gain to the STEM account) reflect the increments in HJ 2 estimates for FY 16 through FY 19 above FY 15.

Office of Commissioner of Higher Education

4. HB 617 provides \$400,000 of funding from the Lottery for STEM scholarships during the 2015-2016 school year.
5. Based upon the effective date of HB 617, the first scholarships would be awarded beginning July 1, 2015 (FY 2016).
6. Montana students are eligible to receive a STEM scholarship for two years.
7. A Montana resident who graduated from a Montana high school with a cumulative grade point average of at least 3.25 is eligible to apply for a STEM scholarship. For the purposes of this fiscal note, it is assumed that all other required eligibility requirements, as outlined in Section 2 of HB 617, will also be met.
8. The average number of Montana high school graduates between 2011-12 through 2014-15 enrolling within the Montana University System with a high school GPA of 3.25 or higher is 2,470.
9. Of the students meeting the GPA requirement, approximately 41% or 1,012 declared a major in a STEM field.
10. In FY 2016, it is projected that 1,012 Montana students will qualify for a \$1,000 scholarship for a total cost of \$1,012,000.
11. In FY 2017, it is assumed that 90% of these students will remain qualified and will each receive a \$2,000 STEM scholarship, and another entering class of qualified Montana students will be funded for the \$1,000 scholarships bringing the total cost for FY 2019 to \$2,833,600. $[1,012 * .90 * 2,000 = 1,821,600 + 1,012,000]$.
12. In FY 2018 and FY 2019, the estimated continuing scholarship costs are \$2,833,600 per year.
13. The office will pay comp time and/or overtime to an existing employee for the first year of implementation (FY 2016). For FY 2017 and subsequent years, the office will need to hire a 0.50 FTE to oversee the administration of the scholarships. Salary and benefits are estimated to cost \$25,000 per year, and annual operating costs are estimated to be \$5,000 per year (computer access, phone, supplies and material, mailing costs, etc.). These costs have been inflated 1.5% for FY 2018 and FY 2019.
14. 17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

YES NO

| | | |
|--|---|---|
| a. The money is from a continuing, reliable, and estimable source. | X | |
| b. The use of the appropriation or the expenditure occurrence is predictable and reliable. | X | |
| c. The authority exists elsewhere. | | X |
| d. An alternative appropriation method is available, practical, or effective. | X | |
| e. It appropriates state general fund money for purposes other than paying for emergency services. | X | |
| f. The money is used for general purposes. | | X |
| g. The legislature wishes to review expenditure and appropriation levels each biennium. | X | |
| h. An expenditure cap and sunset date are excluded. | X | |

Comments: Per (e.), this bill does not appropriate general fund, but HB 617 proposes to redirect general fund revenue to a state special revenue account for an appropriation of non-emergency services.

| | <u>FY 2016 Difference</u> | <u>FY 2017 Difference</u> | <u>FY 2018 Difference</u> | <u>FY 2019 Difference</u> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Fiscal Impact: Montana State Lottery</u> | | | | |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 |
| <u>Expenditures:</u> | | | | |
| Operating Expenses | \$200,000 | \$200,000 | \$0 | \$0 |
| Transfers | (\$200,000) | (\$200,000) | \$0 | \$0 |
| TOTAL Expenditures | \$0 | \$0 | \$0 | \$0 |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Other - Operating | \$200,000 | \$200,000 | | |
| Other - Transfer | (\$200,000) | (\$200,000) | \$0 | \$0 |
| TOTAL Funding of Exp. | \$0 | \$0 | \$0 | \$0 |
| <u>Revenues:</u> | | | | |
| General Fund (01) - Operatin | (\$200,000) | (\$200,000) | \$0 | \$0 |
| General Fund (01) - Redirect | (\$400,000) | (\$1,262,000) | (\$1,736,000) | (\$2,115,000) |
| Other | \$0 | \$0 | \$0 | \$0 |
| TOTAL Revenues | (\$600,000) | (\$1,462,000) | (\$1,736,000) | (\$2,115,000) |

Fiscal Impact: Commissioner of Higher Education

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|--|------------------|--------------------|--------------------|--------------------|
| FTE | 0.00 | 0.50 | 0.50 | 0.50 |
| <u>Expenditures:</u> | | | | |
| Personal Services | \$0 | \$25,000 | \$25,375 | \$25,756 |
| Operating Expenses | \$0 | \$5,000 | \$5,075 | \$5,151 |
| Scholarships | \$400,000 | \$1,232,000 | \$1,705,550 | \$2,084,093 |
| TOTAL Expenditures | \$400,000 | \$1,262,000 | \$1,736,000 | \$2,115,000 |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$400,000 | \$1,262,000 | \$1,736,000 | \$2,115,000 |
| TOTAL Funding of Exp. | \$400,000 | \$1,262,000 | \$1,736,000 | \$2,115,000 |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$400,000 | \$1,262,000 | \$1,736,000 | \$2,115,000 |
| TOTAL Revenues | \$400,000 | \$1,262,000 | \$1,736,000 | \$2,115,000 |

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

| | | | | |
|----------------------------|-------------|---------------|---------------|---------------|
| General Fund (01) | (\$600,000) | (\$1,462,000) | (\$1,736,000) | (\$2,115,000) |
| State Special Revenue (02) | \$0 | \$0 | \$0 | \$0 |
| Other | \$0 | \$0 | \$0 | \$0 |

Technical Notes:

Montana State Lottery

1. The additional \$400,000 in marketing appropriation may increase awareness and increase revenue. The expenditures from this appropriation are included in this note, but the effect of this appropriation on revenue has not been presented, as there are many variables in projecting future sales levels. To the extent additional revenue is achieved through increased awareness, additional monies would be deposited in the STEM account, with a commensurate reduction to general fund revenue being realized.

Long Term Impacts:

1. To the extent Lottery profits continue to increase, the long term loss to the general fund will continue to increase over time as the Lottery transfer to the general fund is capped at the actual amount transferred in FY 2015, as proposed in HB 617.

Sponsor's Initials

Date

Budget Director's Initials

Date